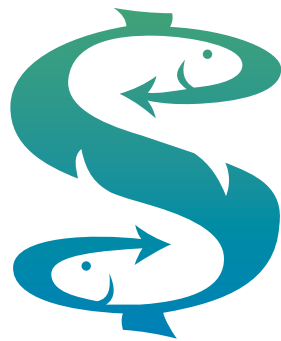

U.S. Environmental Protection Agency, Region 10



Clean Water

State Revolving Fund

Washington Program Evaluation Report

State Fiscal Year 2011

October 2012



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10**

1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

OCT 02 2012

OFFICE OF
WATER AND WATERSHEDS

Mr. Kelly Susewind, Manager
Water Quality Program
Washington Department of Ecology
P.O. Box 47600
Olympia, Washington 98504-7600

Re: Washington Water Pollution Control Revolving Fund Program Evaluation Report for SFY 2011

Dear Mr. Susewind:

The U.S. Environmental Protection Agency Region 10 completed its evaluation of the Washington Department of Ecology's Water Pollution Control Revolving Fund for State Fiscal Year 2011. The enclosed Program Evaluation Report (PER) affirms that Ecology continues to run an impressive water quality financial assistance program.

This PER also acknowledges your Fiscal group for their improved control of, and ready access to, current data on cumulative total available funds and total binding commitments for the state fiscal year. Last year, there were questions as to whether or not Ecology had obligated the total available funds. Upon closer examination at the onsite review, the EPA determined that Ecology was in compliance with this aspect of the program. This year, Ecology improved its financial data control and can readily provide an accurate timely and expeditious use of funds table for annual reports or onsite reviews. This is an important improvement in an already strong program.

Last year, the EPA was impressed that Ecology appeared to have corrected a problem found in the Disadvantaged Business Enterprise (DBE) aggregate utilization forms sent to the EPA. Ecology sent the EPA revised aggregate DBE reports for Federal Fiscal Year 2007. However, utilization reports for all open Washington CWSRF grants are once again reporting zero DBE this year. Subsequent conversations revealed that the break in the DBE reporting chain reoccurred. We understand this new occurrence has been resolved. This PER requires Ecology to send revised aggregate utilization reports for all open grants. We note that this is a DBE reporting issue and not a reflection of Ecology's otherwise fully satisfactory implementation of the DBE requirement.

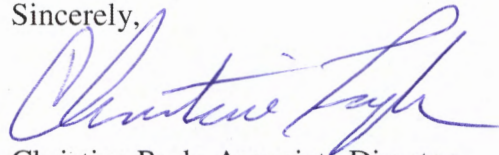
In SFY2011, your staff implemented the program so well that this PER has only four minor follow up items. Ecology is being asked to:

1. Provide a technical correction to the annual report to address the EPA's new sustainability reporting grant condition;
2. Amend the Camas loan agreement by adding the correct Davis-Bacon language;
3. Submit revised 5700-52A DBE utilization forms for all open grants; and
4. Provide documentation to confirm that the Camas project floodplains assessment was publicly noticed if Ecology wants to receive "cross cutter" credit for it.

We greatly appreciate the cooperation of Jeff Nejedly, Financial Management Section Manager, David Dunn, Interim Section Manager, and Cindy Price, CWSRF Coordinator, who has since retired from your Water Quality Program staff. Their assistance was invaluable to making this a successful evaluation.

If you have any questions, please call me at (206) 553-4198 or contact David Carcia, our Project Officer for the Washington Water Pollution Control Revolving Fund, at (206) 553-0890 or carcia.david@epa.gov.

Sincerely,



Christine Psyk, Associate Director
Office of Water and Watersheds

Cc: Jeff Nejedly, Financial Management Section Manager

U.S. ENVIRONMENTAL PROTECTION AGENCY,
REGION 10
CLEAN WATER STATE REVOLVING FUND
PROGRAM

PROGRAM EVALUATION REPORT

WASHINGTON WATER POLLUTION CONTROL REVOLVING FUND

Final SFY 2011

July 1, 2010 through June 30, 2011

October 2012

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Executive Summary

This report presents the Environmental Protection Agency (EPA) program evaluation of the Washington Water Pollution Control Revolving Fund (SRF) for State Fiscal Year (SFY) 2011, administered by the Washington Department of Ecology (Ecology). EPA followed the Annual Review Guidance for the State Revolving Fund Programs (Interim Final) published by the EPA's Office of Water in March 2004 to prepare and conduct this year's assessment.

For SFY 2011, EPA gathered information from the following sources:

- The 2008 Operating Agreement between the EPA and Ecology governing the administration of Washington's Water Pollution Control Revolving Account;
- The grant agreements associated with each of the open EPA capitalization grants to Ecology;
- The SFY 2011 Final Intended Use Plan (IUP);
- Records of financial transactions maintained by the EPA and Ecology;
- An audit report for SFY 2011 for the Washington Water SRF completed by the Washington State Auditor;
- The annual report submitted by Ecology for SFY 2011;
- Project files for Camas (Loan #L1100005) managed out of the western regional office and Kennewick (Loan #L1100010) managed out of the central regional office.
- On-site review April 23 - 25, 2012.

Concurrent with this base program review, EPA conducted its ARRA program evaluation during the on-site visit. We reviewed two ARRA project files and conducted two additional cash draw transaction tests. The ARRA review was documented in a separate ARRA PER, issued on September 06, 2012.

EPA reviewed two base program project files and four base program cash draw transactions. While program evaluations occur during a relatively focused timeframe, they are also informed by discussions with Ecology staff all year long. In addition to discussions with Ecology's management and program staff throughout SFY 2011, EPA also attended Ecology's quarterly Water Quality Financial Assistance Advisory Council meetings, which continue to provide a productive forum for Ecology and community stakeholders to discuss SRF financial and programmatic issues.

Ecology's dedicated staff did an excellent job this year implementing the program. This PER identifies only four minor required actions. Ecology is being asked to correct the SFY2011 annual report to include a newly required sustainability description for projects given additional subsidization, amend Davis Bacon requirements into the Camas loan agreement, revise aggregate Disadvantaged Business Enterprises (DBE) utilization numbers for currently open grants, and provide public notice documentation of the

Camas flood plain assessment should Ecology want to count this project toward its cross cutter requirement.

All other programmatic, financial and cross cutter items evaluated this year were found to be in order. In addition to finding that Ecology maintains an excellent program, this PER also acknowledges Ecology's responsiveness in correcting issues that arise. For example, this year's PER commends Ecology for its improved control of and ready access to cumulative total available funds numbers and total binding commitments for the state fiscal year. As a result, Ecology can more quickly generate this data to maintain and report on timely and expeditious use of funds.

Program Highlights

Ecology funds water quality projects through the administration of the Washington State Water Pollution Control Revolving Fund (SRF). The Fund has always been operated as a direct loan program, which means it has never been leveraged through the issuance of bonds. EPA grants and matching funds from Washington state appropriations capitalize the Fund. Repayments and interest earnings significantly augment the money available each year.

Through its integrated funding system, Ecology's can accommodate or blend multiple sources of funding through one application per project: State Centennial Clean Water grants and loans, SRF loans, and the federal Section 319 nonpoint source grants are streamed to eligible applicants each year. The system is flexible enough to handle additional sources of funding that become available. For example, Ecology streamed one time federal ARRA funding and a state Stormwater/LID appropriation with this innovative funding framework. This system, unique to Washington State, maximizes the number of projects funded and better leverages the water quality benefits obtained from various financial assistance programs. Additionally, Ecology coordinates its water infrastructure financial assistance with other infrastructure financiers such as the U.S. Department of Agriculture Rural Utilities Service.

Ecology uses an integrated planning and priority setting system to develop an annual project priority list (offer list), which forms the basis for their Intended Use Plan (IUP). Projects are funded in an order based upon rating and ranking criteria. In SFY 2011, some communities were slower than anticipated in either accepting or declining funds, but Ecology still was able to sign most assistance agreements within six months.

According to the SFY 2010 Annual Report, Ecology carried forward \$7 million into SFY 2011. EPA's analysis of timely and expeditious use of funds, conducted in June 2011, found that no funds were carried forward into SFY 2011. That analysis dispelled concerns outlined in the SFY 2010 annual report regarding funds being carried forward. However, the exercise also highlighted the fact that Ecology could not easily or readily access its data depicting the exact amount of available funds.

The big difference this year is that Ecology demonstrated much better command of and ready access to accurate data regarding obligations, allowing the question to be settled much quicker. For example, the SFY2011 annual report states \$8 million carried forward to SFY2012, but Ecology was able to quickly pull together the data to confirm at the onsite review that they had actually committed just over 100% of total available funds in a timely and expeditious manner. EPA commends Ecology for its improved data skill. At the onsite, Ecology shared its plans to use this improved data control to more accurately reflect timely and expeditious use of funds in future annual reports.

Since program inception through SFY 2011, Ecology has received \$580 million in EPA SRF capitalization grants, cumulatively, and provided over \$102 million in state match.¹

¹ Clean Water National Information Management System (NIMS)

During this period, Ecology has administered roughly \$1.2 billion² for eligible clean water projects. Cumulatively, close to \$79 million in SRF assistance has gone to implement the state's nonpoint source water quality strategy. While \$6 million directly funded estuary work, \$717 million went to either Section 319 projects or Section 212 that also protected or enhanced one of Washington's two national estuaries.³

In SFY 2011, loans with a maturity of five years or less were offered at an interest rate of 1.4% and loans with a maturity of six to twenty years were offered with an interest rate of 2.8%, which is 30% and 60%, respectively, of tax-exempt municipal bonds. Washington also continued its practice of reducing the interest rate to as little as 0% for communities that met the Department's economic hardship criteria.

² This amount includes loan repayments, interest earned on SRF loan balances, and interest earned from SRF fund investments

³ All of these data are derived from the Clean Water National Information System data developed and submitted by the Washington Department of Ecology.

Follow up for WA SFY 2010 Required Actions

Required Action #1: Ensure that Wilbur (Loan #L1000015) amends its construction contracts to include EPA's required Davis Bacon construction contract language and the correct federal wage determination(s).

Progress: *Ecology has successfully completed this action.* EPA's Davis-Bacon contract language was added to the construction contract via a change ordered.

Required Action #2: Submit revised 5700-52A DBE utilization quarterly reporting forms for CS53000107: FFY09-Q4 through FFY11-Q2, for a total of seven quarterly updates. Please send (electronic or print) copies of the above-mentioned revised quarterly reports by April 23, 2012 to: Greg Luchey, DBE Coordinator, EPA Region 10, Grants Administration Unit, 1200 Sixth Avenue, Suite 900, Mailcode: OMP-145, Seattle, WA 98101.

Progress: *Ecology has successfully completed this action.* EPA's DBE Coordinator confirmed that Ecology submitted corrected DBE utilization numbers for the CS53000107 grant from FFY09-Q4 through FFY11Q2. Although some subsequent DBE utilization reports also have had positive values, most of the current data is showing zero DBE utilization. Ecology will need to build on its success with CS53000107 to correct DBE utilization numbers for all open grants. See Disadvantaged Business Enterprises section.

Follow up for WA SFY2010 Recommended Action

Recommended Action #1: Incorporate a table similar to *Table 1: Timely and Expeditious Use of Funds Analysis* (above) in IUPs and annual reports. This practice is strongly encouraged: it helps clarify Ecology's timely obligation of total funds available while at the same time providing this important information to the public.

Progress: *Ecology is implementing this recommendation.* At the onsite visit this year, Ecology agreed to put a timely and expeditious use of funds table into its annual report. Ecology demonstrated ready access to accurate financial obligations data to better generate this recommended table. They are also considering putting similar information into the IUP to improve obligations estimates.

Required Program Elements

Annual Report

The SFY2011 annual report indicates that Ecology runs an effective program, and is making progress on its short and long-range goals and meets program requirements. For example, the report establishes:

- Section 212 projects were reviewed in accordance with the current SERP;
- State Match, on a cumulative basis, meets the 20 percent requirement; and
- Binding Commitments exceed the required 120 percent of cumulative capitalization grants through June 30, 2011.

Ecology reports it carried forward \$7 million from SFY2011 into SFY 2012. However, a quick on-site review this year of Ecology's financial data, including all increases and decreases to all financial assistance agreements as of June 30, 2011, indicates that Ecology actually had obligated over 100% of its total available funds.⁴ Ecology is demonstrating improved financial obligations data control to generate an accurate timely and expeditious use of funds table intended for the next annual report as recommended in last year's PER. EPA commends Ecology for developing this financial data management process improvement.

New this year is a requirement to explain how certain projects met the sustainability policy grant condition. This new aspect to the annual report only applies to projects awarded Additional Subsidization Reserve (ASR). ASR is funding that does not have to be repaid and in Washington is given in the form of principal forgiveness loans.

The sustainability reporting requirement comes from the following new FFY2010 grant condition:

To further ensure sustainability of projects receiving additional subsidies, these subsidies should be directed to: 1) repair, replacement, and upgrade of infrastructure in existing communities; 2) investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and/or 3) preliminary planning, alternatives assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conservation of natural resources, and alternative approaches to integrate natural or "green" systems into the built environment. **The recipient agrees to provide in its Annual Report an explanation as to how they did or did not address this provision. [Emphasis added]**

The annual report did not explain, and it was not otherwise clear in the annual report, how projects additional subsidization reserve (ASR) projects support the new

⁴ See Required Financial Elements section of this PER (p.12) - *Table 1: Timely and Expeditious Use of Funds Analysis* showing over 100% of total funds available being obligated in SFY2011.

sustainability policy in this year's grant condition. Some projects that met hardship criteria received a total \$6.8 million ASR while projects that qualified for Green Project Reserve (GPR) received about \$3.2 million ASR. In neither case does the annual report explain how these ASR projects meet the sustainability goal.

To remedy this minor omission, Ecology should provide a technical correction to their annual report to explain whether or not each ASR project meets the sustainability goal as stated in the grant conditions. See Required Action #1.

Davis-Bacon Act

The Davis-Bacon Act (D-B) requires that all contractors and subcontractors performing construction, alteration and repair (including painting and decorating) work under federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage and fringe benefits for the geographic location.

SRF loans provided on or after October 30, 2009 must require the borrowers to comply with D-B and include in all construction contracts the EPA's specific D-B attachment identified in the programmatic conditions of the capitalization grant award. All bid/construction documents must also include the correct federal wage determination(s).

Though the Kennewick project had not yet gone out to bid by the time of this review (and therefore had no construction contracts for EPA to review), Ecology's loan with Kennewick included the necessary D-B requirements. The City of Camas enacted a change order with its contractor to add EPA's specific D-B insert and the correct federal wage determination into its construction contract. However, the loan agreement between Ecology and the City of Camas for this project (Loan # L1100005) does not mention the D-B Act and must still be amended to include this requirement. See Required Action #2.

Environmental Review

Under the Clean Water Act (CWA) and 40 C.F.R. §35.3140(a), EPA requires that all Section 212 projects undergo Environmental Review. These projects include the familiar wastewater treatment projects as well as nonpoint source pollution control and estuary projects that can also fit the definitions of "construction" and "treatment works" as defined in §212 of the CWA.

Kennewick qualifies as a non point source stormwater project, but meets the definition of construction and treatment works and requires an environmental review. The categorical exemption determination expected for this type of project would still need to be made, documented and publicly noticed. Discussions with Ecology staff indicate that Kennewick had not yet completed environmental review, but that it will be required to do so before construction begins. Camas had complete compliance documentation for its Determination of Non-Significance.

Crosscutting Federal Authorities

Cross-cutting federal authorities of other federal laws and executive orders apply to federal assistance. Accordingly, cross-cutting authorities apply to all SRF projects whose funding is equal to the cumulative total of all federal SRF capitalization grants.

Crosscutting requirements apply to the SRF agency as the grant recipient and extend to the projects and activities receiving federal financial assistance. Projects funded beyond

the cumulative amount of the federal capitalization grant are not generally subject to cross-cutting authorities.⁵ However, if the requirements are nevertheless met, they can be banked.

This year's review indicates Camas met the all cross cutter requirements, except E.O. 12148 addressing floodplains. Kennewick was not required to meet crosscutters because it is a stormwater project. Ecology does not generally apply crosscutters to stormwater projects because it already meets the requirement with other types of facility projects.

Even though Kennewick does not have to complete most cross cutters, it still needs to certify compliance with Equal Employment Opportunity (listed as EEO in the checklist) and Non-Segregated activities, which are both expected to be completed when Kennewick goes out to bid. Ecology's financial manager for Kennewick said the certifications are required prior to construction. Ecology should keep copies of these necessary certifications in the project files.

Disadvantaged Business Enterprises

Disadvantaged Business Enterprises (DBE) is an outreach and education program that encourages participation by disadvantaged enterprises. DBE updates the Minority and Women-owned businesses (MBE/WBE) requirements. The first Washington SRF base program grant awarded after the new DBE rule went into effect was dated May 07, 2008. Therefore, the new DBE rule applies to all base program loans signed after May 07, 2008 up to an amount equal to each individual base program SRF grant awarded. All associated contracts funded by loans subject to DBE likewise need to comply with the new DBE rule. Unlike many other requirements, compliance with the DBE/MBE/WBE laws by projects whose cumulative funding is greater than the amount of the federal capitalization grant is not "bankable."

Camas is in compliance with DBE and is sending Ecology DBE utilization information along with each disbursement request in line with Ecology's standard procedure. Kennewick had not gone out to bid as of the time of this review and did not yet have the documentation yet to confirm compliance.

Last year, EPA observed that Ecology was reporting zero quarterly DBE utilization after having positive DBE numbers for several years. Ecology found that the CWSRF financial managers were sending the individual forms to the Fiscal group, but the Fiscal group was not aggregating the DBE numbers into the required 5700-52A DBE utilization reports to EPA.

⁵ All programs, projects, and activities undertaken by the SRF program are subject to the federal anti-discrimination laws, including the Civil Rights Act of 1964, Pub. L. No. 88-352 §601, 78 Stat. 252 (codified as amended at 42 U.S.C. §2000d), the Rehabilitation Act of 1973, Pub. L. No. 93-1123, 87 Stat. No. 94-135, §303, 89 Stat. 713, 728 (codified at 42 U.S.C. §6102). Further, these broader anti-discrimination laws apply by their own terms to the entire organization receiving federal financial assistance, not just to the project itself. Disadvantage Business Enterprise (DBE) and Single Audit Act requirements also cannot be banked.

Ecology revised its 5700-52A DBE utilization forms to show positive aggregate DBE numbers in line with DBE utilization goals. This data indicated that Ecology had fixed the problem.

However, Ecology's DBE utilization numbers are back to zero for SFY2012. For example, the FFY2008 grant was completely drawn down in SFY2012, but Ecology reported zero DBE for these funds. The break in the DBE reporting system appears to be continuing. Based on this data, EPA is requiring Ecology to check its DBE data and send EPA revised 5700-52A forms for all open grants. Please report back to EPA where Ecology's internal DBE reporting process was broken and how it was fixed to ensure accurate 5700-52A reports going forward. See Required Action #3.

Flood Plain Management

In accordance with E.O. 12148, if the proposed project will be located in or will affect a floodplain, the assistance recipient must prepare a floodplain assessment. In the cases where there are no practicable alternatives to building in the floodplain, the assistance recipient must document the mitigating measures or design modifications that will be taken to reduce the threats from locating the project in the flood plain. In conjunction with the public notice procedures in the SERP, the project area community must be informed why the proposed project is to be located in a flood plain.

As stated above, Kennewick is not required to meet crosscutters because Ecology does not generally apply crosscutters to stormwater projects because it already meets the requirement with other types of facility projects. For Camas, the Flood Insurance Rate Map (FIRM) panel 530024-0425B in the project file indicates a part of the project is in the 100-years flood plain. The project files did not appear to contain a public notice about why parts of this project are in a flood plain or what mitigation measures, if any, are planned. If Ecology wants to credit the Camas project toward its cross cutter requirement, then the project file should have a documented public notice that explains why the Camas project (Loan #L1100005) is located in a floodplain and whether or not any mitigation measures are planned, in accordance with E.O. #12148. See Required Action #4.

Debarment / Suspension

Ecology is required to ensure that contractors and subcontractors receiving federal funds are not suspended or debarred. This applies to professional services such as consulting and engineering, as well as for construction contractors and subcontractors. Though contractors and subcontractors were previously allowed to self-certify this is no longer the case. Now Ecology must confirm contractor and subcontractor status. It is up to Ecology to decide how to document confirmation of compliance, but one available technique is to print a copy of an Excluded Parties List System (EPLS) search at www.epls.gov and place it in the project file.

The Washington state auditor issued a finding regarding Ecology's internal controls for compliance with debarment and suspension in SFY2010. To address this finding, Ecology now requires loan recipients to conduct EPLS searches for all contractors and subcontractors used. Recipients are then required to provide this documentation to Ecology, which independently confirms compliance and then maintains this

documentation in the respective project files. EPA file reviews these past two years indicate that Ecology improved debarred and suspended procedures ensure that projects are in compliance and documented as such. EPA commends Ecology for this program improvement.

Camas is in compliance with debarment or suspension requirements. Kennewick had not gone out to bid as of the time of this review, which explains why it did not have compliance documentation in the project file.

Required Financial Elements

State Matching Capital Contribution

Federal capitalization grants provided under the Clean Water State Revolving Fund base program require states to provide an amount equal to 20% of the federal grant in state matching funds. Cash draw transactions and audited SFY 2011 Financial Statements verify that the Washington SRF program is meeting this requirement. The cumulative amount of appropriated state match funds, \$102,348,959 as reported in the program's annual report, meets the required 20% for cumulative base program federal grants through SFY 2011. The required cumulative state match is also recorded in the Clean Water National Information System (CWNIMS) report for 2011.

It was noted that Ecology implemented new state match transaction processing beginning in state fiscal year 2012. Expected benefits of the new state match processing includes: fewer transactions, more regularly timed state match deposits into the fund, and easier documentation of state match transactions. EPA requests for next year's annual review (or sooner if opportunity arises), that Ecology's fiscal staff provide a "walk-through" of the new state match processes and documentation procedures for the EPA CWSRF Financial Analyst to gain a better understanding of the changes implemented.

Cash Draw and Disbursement Transaction Testing

During EPA's annual review visit, five base program cash draw transactions were tested.

June 17, 2011	Cash Draw \$55,615 - EPA grant # CS53000107 <ul style="list-style-type: none">\$326,116 - City of Toppenish (L0800015-30) Disbursement consisted of federal funds, associated state match, and recycled funds from the WA CWSRF.
Dec. 6, 2010	Cash Draw \$545,577 - EPA grant # CS53000107 <ul style="list-style-type: none">\$549,369.91 - City of Everett (L1000022-01)\$269,027.93 - City of Everett (L1000022-02) Disbursements consisted of federal funds, associated state match, and recycled funds from the WA CWSRF.
July 21, 2010 and Sept 2, 2010	Cash Draw \$83,267 - EPA grant # CS53000108 Cash Draw \$246 - EPA grant # CS53000108 <ul style="list-style-type: none">\$83,513 (July 21, 2010 and Sept 2, 2010 amounts combined)-Washington Department of Ecology admin charges
Dec 12, 2011	Cash Draw \$53,720 - EPA grant # CS53000109 <ul style="list-style-type: none">\$53,720 -Washington Department of Ecology admin charges

Individual cash draws may be rounded up or down to the nearest dollar. The correct proportionality ratios were used: 83.33% Federal and 16.67% State Match for all loan and administrative draws. All costs associated with the above draws were eligible for CWSRF funding.

One erroneous payment was identified during the cash draw transaction testing. On July 21, 2010, a cash draw from grant # CS53000108 was processed without the required concurrent request for a transfer of state match funds into the WA CWSRF. The cash draw was for allowable administrative expenses but the accompanying state match was not transferred until the following month, on August 18, 2010. Internal fiscal staff during the August 2010 reconciliation of accounts detected this error. Upon discovery, a request for state matching funds transfer into the WA CWSRF was made and completed. An additional cash draw of \$246 was processed on Sept 2, 2010 to reflect the end of state fiscal year administrative cost reconciliation, and to maintain the correct federal cash draw / state match proportionality.

Although this occurrence is an erroneous payment, the timely discovery and immediate correction of this error by internal fiscal review processes is a positive testimony to the program's internal control procedures.

Annual Report Exhibits and Financial Statements

The SFY 2011 annual report generated by program staff and the Ecology Fiscal Office provides exhibits that meet financial reporting requirements and also provide the EPA and other readers a quick source of summary level financial information. The annual Financial Statements and the Notes to the Financial Statements are prepared in a manner conforming to generally accepted accounting principles- GAAP- as confirmed by the programs annual audit.

Financial Statement Audit

Ecology's Fiscal Office requested that the Washington State Auditor's Office conduct a financial statement audit of the Water Pollution Control Revolving Fund for SFY 2011. The audit report provided a positive, unqualified⁶ opinion about the program's financial statements and found no material weaknesses in the Ecology's internal controls over financial reporting.

The positive audit results confirm that established procedures and policies, and that generally accepted accounting principles (GAAP) are consistently applied. The annual audit report is a solid testimony to the financial integrity of the SRF program.

Timely and Expeditious Use of Funds

Ecology has agreed to EPA's recommendation in the 2010 PER that future intended use plans (IUPs) and annual reports include a table displaying an analysis of the program's Timely and Expeditious Use of Funds.

⁶ An unqualified opinion is an auditor's judgment that he or she has no reservation as to the fairness of presentation of an entity's financial statements and their conformity with Generally Accepted Accounting Principles (GAAP); also termed *clean opinion*.

Table 1 below, shows the results of the timely and expeditious use of funds analysis and data provided by the financial staff at Ecology during the 2011 annual review and in subsequent clarifying discussions. It demonstrates that total loan obligations at the end of SFY 2011 exceed total SRF funds available at the end of SFY 2010 and confirms that Ecology is in compliance with the timely and expeditious use of funds requirement. Results of this analysis may vary slightly from the result generated from the Clean Water National Information System – CWNIMS. This is due to adjustments that may be made to final state fiscal year accounting records after the annual CWNIMS data collection is completed.

It is important that Ecology can readily access accurate data for total available funds and total amount obligated. Including this table in future IUPs and annual reports will provide visible assurance that accurate data is regularly maintained.

Table 1: Timely and Expeditious Use of Funds Analysis

Total Federal Cap Grants Awarded (including ARRA)	Total State Match ⁷	Total Principal and Interest Repayments	Total Investment Interest	Total Administrative Set-Aside	TOTAL FUNDS AVAILABLE
\$544,463,697	\$95,262,359	\$436,554,583	\$33,916,081	(\$21,253,185)	\$1,088,943,534
Total loan obligations as of June 30, 2011					\$1,110,602,059
Loan Obligations as percentage of available funds from SFY2010					102%

Financial Capability Assessments

In SFY2006 and 2007, Ecology implemented their own procedures for conducting financial capability assessments on all loan applicants. Ecology applies these procedures as a standard operating practice. During our annual review, we confirmed that the program is continuing this practice and that the results of the financial capability assessments are a determining factor for terms offered to loan recipients. Ecology should ensure that the program has staff capacity to continue this important practice to mitigate the risk for loan default in its CWSRF program.

Financial Indicators

Financial indicators for the Washington SRF highlight the continued strong performance of the program. The return on federal investment was 202% at the end of SFY 2011, demonstrating the success of the Washington SRF program in leveraging federal dollars to fund clean water projects. The program also consistently produces good results in the amount of loans made as a percentage of funds available achieving a mark of 100%

⁷ This State Match total does not include match for ARRA because State match was not required for the \$68,151,900 in ARRA grants awarded to Ecology in 2009.

cumulative through 2011. Financial Indicators are calculated using data obtained from the Clean Water National Information System – CWNIMS. Table 2 below compares two recent fiscal years according to indicators by which all state SRF programs are evaluated.

Table 2: Ecology SRF Financial Indicators

Description	WA State SFY 2010	WA State SFY 2011	Regional Average ⁸ for FY2011	National Average ⁹ for FY2011
#1-Return on Federal Investment - Shows the amount invested in water quality beneficial projects for each federal dollar invested	207%	202%	187%	182%
#2-Percentage of Closed (executed) Loans to Funds Available For Loans - Shows the amount of signed loan agreements compared to the amount of funds available for loans	99%	100%	104%	96%
#3-Percentage of Funds Disbursed to Closed Loans - Shows the amount of funds actually disbursed compared to the amount of signed loan agreements	86%	84%	77%	84%
#4-Benefits of Leveraging - (generating additional SRF funds by issuing bonds)	N/A	N/A	N/A	N/A
#5-Perpetuity of Fund - Demonstrates whether the program is maintaining its contributed capital. A positive result indicates the Program is maintaining its capital base	\$146,392,568	\$154,984,878	N/A	N/A
#6-Estimated Subsidy - An estimate of the SRF interest rate subsidy, stated as a percentage of the market rate. (Market rate for 2011 was 4.5%) ¹⁰	48%	38%	55%	51%

⁸ Regional Average includes data for Alaska, Idaho, Oregon, and Washington. Data is from the Clean Water National Information Management System, CWNIMS.

⁹ National Average is for states that have not leveraged, except for Indicator #6 which averages all states. Data is from the Clean Water National Information Management System, CWNIMS.

¹⁰ Market rate based on Bond Buyer index for 20-year general obligation (GO) bonds with a rating equivalent to Moody's Aa and Standard and Poor's AA-minus. Market rate is calculated as the average of the reported weekly Bond Buyer 20-bond GO index for each fiscal year ending June 30.

Required Actions

Required Action #1: Provide a technical correction to the annual report that explains how SFY2011 Additional Subsidization Reserve projects meet EPA's sustainability goal as stated in the capitalization grant conditions.

Required Action #2: Amend the City of Camas loan agreement (#L1100005) to require compliance with the Davis-Bacon Act.

Required Action #3: Submit revised 5700-52A DBE reporting forms for every open SRF capitalization grant and inform EPA where Ecology's internal DBE reporting process was broken and how it was fixed to ensure accurate 5700-52A reports going forward.

Required Action #4: If Ecology wants to credit the Camas project toward its cross cutter requirement, then they should provide documentation of public notice that explains why Camas project (#L1100005) is located in a floodplain and that mentions any mitigation measures that are planned.

Documented completion of these required actions is due to the EPA by October 31, 2012

Base Program Annual Review Checklists

ANNUAL REVIEW PROGRAMMATIC AND FINANCIAL CHECKLISTS	A-01
FILE REVIEW CHECKLIST #1: CAMAS (LOAN # L1100005)	A-14
FILE REVIEW CHECKLIST #2: KENNEWICK (LOAN # L1100010)	A-19

Use of these Checklists

The checklists that follow are designed to provide a convenient method for ensuring that the annual review has addressed all of the major review elements. The checklists are organized by topic for easy reference and do not represent a suggested order for conducting the review. For example, project file reviews may touch on many different annual review topics and the checklists provide a mechanism to quickly locate the topic and record the findings while moving from one topic to another. Once the review is completed, all of the topics must either be specifically addressed or noted as not being covered during this review. If an area was not reviewed, note the reason for not reviewing it and any future review activities.

For the items that are reviewed, the requested information on the checklist must be completed noting your findings. Make sure to check all data sources that were used in determining the findings. Pertinent attachments should be added to the checklists and referred to as is appropriate. The checklists must be used as your work papers for the overall evaluation and a reference document in the future to prepare for the next annual review.

It should be noted that the checklist topics are references and are not intended to be comprehensive statements of each program item. Other supporting documents, such as the Annual Review Guidance, program documents provided in the SRF Document Library, the SRF Audit Compliance Supplement, the EPA SRF Financial Planning Model, and many other SRF related information and tools should be utilized to delve in depth into specific review topics.

REVIEW CHECKLIST

SRF Annual Review Information Sheet

Print Information Sheet

State Under Review: Washington

DW or CW Program: CW

Annual / Biennial Report Received: 10/15/2011

Annual Audit Received: January 30, 2011 Audit Year: SFY2011

For SRF Fiscal Year Beginning: 7/1/2010

Ending: 6/30/2011

State Contact: Cindy Price

Phone No. 360-407-7132

EPA Review Team:

Unit Manager Paula Vanhaagen
HQ CWSRF Kelly Kunert Tucker
Team Lead Michelle Tucker (Phone)
Financial Analyst Chris Castner
Project Officer David Carcia

State Staff Interviewed

Loan Program Manager Jeff Nejedly
Fiscal Manager Lisa Darnell
Senior Financial Advisor Melanie Lee
Policy & Administration Unit Supervisor David Dunn
CWSRF Program Coordinator Cindy Price
SERP Coordinator Alice Rubin
Financial Manager Bill Hashim
Financial Manager Tammie McClure
Program Analyst Joseph Coppo

Project Files Reviewed: Camas (City of) - Loan #L1100005
Kennewick (City of)- Loan #L1100010

	First Team Meeting	Second Team Meeting	On-Site Visit	Draft PER	Final PER
Estimated Date:	<u>2/27/12</u>	<u>3/9/12 - 4/16/12</u>	<u>4/23/12 - 4/26/12</u>	<u>07/26/12</u>	<u>9/7/12</u>
Actual Date:	<u>3/6/12</u>	<u>3/9/12 - 4/16/12</u>	<u>4/23/12 - 4/26/12</u>	<u>08/27/12</u>	<u>10/2/12</u>

ANNUAL REVIEW CHECKLIST

Print Summary

Worksheet 1

Print Details

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
1.1 Annual / Biennial Report					
1 Does the State's Annual / Biennial Report meet all requirements?		X		Washington's annual report did not include the new requirement to report on how the state met the sustainability policy with the additional subsidization funds.	X Report Date 10/15/2011
a. Reports on progress towards goals and objectives	X				X Report Date 10/15/2011
b. Reports on use of funds and binding commitments	X				X Report Date 10/15/2011
c. Reports on the timely and expeditious use of funds	X			The annual report states that approximately \$7 million dollars were carried forward to the next fiscal year, but information provided to EPA's financial analyst indicates this was an error and 100% of available funds were used. Ecology said they would start using the timely and expeditious table recommended in the SFY2010 PER to have ready and more accurate data available regarding this aspect of the program.	X Report Date 10/15/2011
d. Identifies projects and types of assistance provided.	X				X Report Date 10/15/2011
e. Includes financial statements and cross-references independent audit report	X			The annual report includes unaudited financial statements. Audited financial statements were issued with SFY2011 state audit report (January 31, 2011).	X Report Date 10/15/2011
f. Provides overall assessment of the SRF's financial position and long-term financial health	X				X Report Date 10/15/2011
g. Demonstrates compliance with all SRF assurances	X				X Report Date 10/15/2011
h. Demonstrates compliance with SRF program grant conditions	X			All except the new additional subsidization requirement to explain how Ecology met the sustainability policy with these funds.	X Report Date 10/15/2012
i. Demonstrates that the highest priority projects listed in the IUP were funded (DW only)			X		
j. Documents why priority projects were bypassed in accordance with state bypass procedures and whether state complied with bypass procedures.	X				X Report Date 10/15/2011
k. Documents use of set-aside funds (see set-aside sheet for details)			X		
2 Was the Annual / Biennial Report submitted on time?	X			Next report is due on September 30th as conditioned by the FFY2011 grant.	X Report Date 10/15/2011
3 If the State assesses the environmental and public health benefits of projects, are the benefits discussed in the Annual/Biennial Report? If the answer is yes, the comment section should contain an explanation.	X			Clean Water Benefits Reporting (CBR) summary report included with annual report.	X Report Date 10/15/2011

[Print Summary](#)
[Print Details](#)

Worksheet 1

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
1.2 Funding Eligibility					
1 Are projects receiving assistance eligible for funding?	X				X Project Files
2 Is documentation being received from assistance recipients to support the amount and eligibility of disbursement requests?	X				X Project Files - Pay Request Documentation
3 Does the State have controls over SRF disbursements to ensure that funds are used for eligible purposes?	X				X Project Files - Pay Request Documentation
4 Is the state meeting the 15% small system requirement? (DW only)			X		
5 Does the State have procedures to ensure that systems in significant noncompliance with any NPDWR are not receiving assistance, except to achieve compliance? (DW only)			X		
1.3 Compliance with DBE Requirements					
1 Is the State complying with all DBE requirements (setting goals, six affirmative steps and reporting)?	X				X Grant / Operating Agreement, DBE Reporting Forms
2 Are assistance recipients complying with all DBE requirements?	X			(L1100010) had not gone out to bid as of the time of this review.	X Bid Documents in project files and DBE Reporting Forms
1.4 Compliance with Federal Cross-Cutting Authorities (Cross-Cutters)					
1 Is the State complying with applicable federal cross-cutting authorities?	X				X Project Files, Grant / Operating Agreement
2 Is the State ensuring that assistance recipients are complying with all applicable federal cross-cutting authorities?	X				X Project Files
3 Were there any issues which required consultation with other State or Federal agencies?	X			Camas consulted on Endangered Species Act.	X Project Files
a. What did the consultation conclude with regard to compliance with the cross-cutter?				See Camas project file review checklist	X Project Files
1.5 Compliance with Environmental Review Requirements					

ANNUAL REVIEW CHECKLIST

Print Summary

Print Details

Worksheet 1

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
1 Are environmental reviews being conducted in accordance with the State's approved environmental review procedures (SERP)?	X			Camas SERP complete; Kennewick (L1100010) SERP not completed as of the time of this review	X Project Files, SERP, Annual Report, Staff Interviews
2 Does the State document the information, processes, and premises leading to decisions during the environmental review process?	X				X Project Files; Staff interviews
a. Decisions that projects meet requirements for a categorical exclusion (CE) or the State equivalent?			X		
b. Environmental Assessment (EA)/Findings of No Significant Impacts (FONSI) or the state equivalent.	X			Camas (L1100005) had documentation of a Determination of Non Significance (DNS), which is what the WA State FONSI is called. Kennewick SERP is in progress	X project file
c. Decisions to reaffirm or modify previous SERP decisions.			X		
d. Environmental Impact Statement (EIS)/Records of Decisions (RODS) or the State equivalent.			X		
3 Are public notices and meetings, as required by the SERP, provided during the environmental review process?	X				X Project Files
4 Are documented public concerns being addressed/resolved by the State in the environmental review process?	X				X Project Files
5 Do environmental reviews document the anticipated environmental and public health benefits of the project?	X				X Project Files
1.6 Operating Agreement					
1 Is the State's Operating Agreement up to date reflecting current operating practices?	X				X 2007 Operating Agreement
a. Program administration	X				X Operating Agreement, p. 2
b. MOUs			X		
c. Description of responsible parties	X				X Operating Agreement, p. 2
d. Standard operating procedures	X				X 2007 Operating Agreement
1.7 Staff Capacity					
1 Does the State have staff, in terms of numbers and capability, to effectively operate the SRF?	X			Late last year Ecology added a SERP/cross cutter staff position	X Staff Interviews
a. Accounting & Finance	X				X Staff Interviews
b. Engineering and field inspection	X				X Staff interviews

ANNUAL REVIEW CHECKLIST

Print Summary

Worksheet 1

Print Details

Required Program Elements

Review Item and Questions to Answer <i>reference to guidance manual</i>	Yes	No	N/A	Comments	Data Sources (check all that apply)
c. Environmental review / planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Staff interviews
d. Management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Staff interviews
e. Management of set-asides (DW only)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
2 Does the program have an organizational structure to effectively operate the SRF?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input checked="" type="checkbox"/> Organizational Chart, Staff interviews
1.8 DWSRF Withholding Determinations					
1 Did the State document ongoing implementation of its program for ensuring demonstration of new system capacity?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
2 Did the State document ongoing implementation of its capacity development strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
3 Did the State document ongoing implementation of its operator certification program?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>
1.9 Davis-Bacon Requirements					

Worksheet 1

Required Financial Elements						
Review Item and Questions to Answer reference to guidance manual		Yes	No	N/A	Comments	Data Sources (check all that apply)
2.1 State Match						
1	Has the State provided match equal to 20 percent of the grant amount?	X			The cumulative amount of appropriated state match funds, \$102,348,868 is reported in the Washington program's annual report and also stated in the Notes to the Financial Statements. This amount meets the required 20% for cumulative base program federal grants through SFY2011.	X Notes to the Financial Statements Annual / Biennial Report
2	Was each match amount deposited at or before the federal cash draw?		X		Three cash draws occurred with a concurrent state match. One cash draw for administrative costs, processed in July 2010 occurred without a concurrent state match deposit. The error was detected by Ecology fiscal staff and a correcting state match deposit was made the following month in August 2010 during end of year account reconciliation meeting this requirement.	X State Accounting Records Review
3	What is the source of the match (e.g., appropriation, State GO bonding, revenue bonds, etc.)?				CWSRF state match comes from a WA State appropriation.	X Audited Financial Statements Annual / Biennial Report
4	Are match funds held outside the SRF until the time of cash draws?	X			Wa CWSRF program deposits required state match into the fund at the same time that individual cash draws are processed.	X State Accounting Records Review Audited Financial Statements
5	If bonds are issued for state match, and the SRF is used to retire these bonds, do the bond documents clearly state what funds are being used for debt service and			X		
	a. Has the state match structure been approved by Headquarters?			X		
6	Is the state match bond activity consistent with the approved state match structure?			X		
2.2 Binding Commitment Requirements						
1	Are binding commitment requirements being met?	X				X Loan Agreements / Annual Report
	a. Are cumulative binding commitments greater than or equal to cumulative grant payments and accompanying State match within one year of receipt of payment?	X			Binding Commitments exceed the required 120 percent of cumulative capitalization grants through June 30, 2011.	X Staff Discussions Timely and expeditious analysis
2	Are binding commitments documented in the project files?	X			All project files reviewed had documentation of signed loan agreements, which serve as Ecology's CWSRF binding commitments.	X Project Files
	a. Do the commitment dates match reported commitments in the Annual/Biennial report?	X				X Annual Report

3	Is there a significant lag between binding commitments, loan execution, or the actual start of the projects?	X	Not specifically addressed during this annual review. However previous annual reviews have shown that this has not been a problem for the program.	X	Staff discussions in prior year
	a. What is the typical and longest lag from binding commitment to project start?		X Not specifically addressed during this annual review.		
	b. How many projects have never started?		X Not specifically addressed during this annual review.		
	c. How many projects have been replaced because they never started?		X Not specifically addressed during this annual review.		
	d. If this problem exists, is it recurring? If so, what steps are the State taking to correct the situation?		X		
2.3 Cash Draws					
1	Has the State correctly adhered to the "Rules of Cash Draw" ?	X	One cash draw was processed without concurrent state match deposit; the state match was transferred approximately 3 weeks later. This occurred in July 2010, and was discovered and corrected by Ecology fiscal staff in August 2010.	X X X	Accounting transactions Project disbursement requests Federal draw records
2	Does a review of specific cash draw transactions confirm use of correct proportionality percentages?	X	Three cash draw transaction used the correct proportionality. One cash draw was processed without concurrent state match deposit; the state match was transferred approximately 3 weeks later. This occurred in July 2010, and was discovered and corrected by Ecology fiscal staff in August 2010.	X	See 2.3.1 above.
3	For leveraged states, what proportionality ratio is the state using to draw federal funds?		X WA is not a leveraged program.		
4	Have any erroneous payments/cash draws/disbursements been discovered and, if so , what corrective steps are being taken?	X	One cash draw was processed without concurrent state match deposit; the state match was transferred approximately 3 weeks later. This occurred in July 2010, and was discovered and corrected by Ecology fiscal staff in August 2010. (the required state match was deposited into the fund)	X	Cash Draw transaction testing
5	Does a review of specific Project cash draw transactions confirm the use of federal funds for eligible purposes?	X	Cash draw transaction testing confirm eligible purposes.	X	Same sources as for 2.3.1 above.
6	Does a review of specific Administrative cash draw transactions confirm the use of federal funds for eligible purposes?	X	Cash draw transaction testing confirm eligible purposes.	X	Same sources as for 2.3.1 above.
7	Were invoices reviewed for at least four cash draws?	X			
	a. Number of cash draws reviewed.		Five cash draws were reviewed		
	b. Dollar amount of cash draws reviewed.		Total of \$192,248 were examined- dates of the draws and amounts are below: Date: Dec. 6, 2010 Amount \$549,370 Date: Dec. 6, 2010 Amount \$269,028 Date: July 21,2010 Amount \$83,267 Date: Sept 2, 2010 Amount \$246 Date: Dec 12, 2011 Amount \$53,720	X	State accounting records

2.4 Timely and Expeditious Use of Funds

1	Is the State using SRF funds in a timely and expeditious manner?	<u> X </u>	<u> </u>	<u> </u>	A review by EPA, in cooperation with Ecology, found that Ecology committed approximately 104% of total funds available.	<u> X </u>	<u>Binding commitments Ecology T & E analysis</u>
a.	Does the fund have large uncommitted balances?	<u> </u>	<u> X </u>	<u> </u>		<u> X </u>	<u>Binding commitments Ecology T & E analysis</u>
b.	Does the fund have large balances of undrawn federal and state funds?	<u> </u>	<u> </u>	<u> </u>	Financial Data Warehouse queries performed in March 2012, one month before this review showed approximately \$55.4 million in undrawn federal funds. Because the WA CWSRF program draws state funds concurrently with federal draws, the assumption is that approximately \$11 million of state matching funds were not drawn either at the time of the March 2012 queries. Prior to SFY 2012, the program "assigned" projects to funds available from specific grants and then drew down the grant funds as the associated project disbursements were requested. This practice led to sometimes lengthy (multi-year) delays in drawing down older grants. Starting in SFY2012 the state is using "First In - First Out" (FIFO) cash draw practices and is now drawing federal funds, and associated match, at a faster pace.	<u> X </u>	<u>EPA Financial Data Warehouse queries</u>
c.	Are the uncommitted balances growing at a faster annual percentage rate than the growth of the total assets of the SRF?	<u> </u>	<u> X </u>	<u> </u>		<u> X </u>	<u>NIMS (lines 100 and 282)</u>
2	Does the State need to improve its use of funds to ensure timely and expeditious use? Has the state developed a plan to address the issue?	<u> </u>	<u> X </u>	<u> </u>	In the 2010 PER, EPA recommended that Ecology regularly verify the amount of total funds available and include the results of this analysis in future IUPs and annual reports. Ecology has agreed to do this. All funds available are being committed within one year .	<u> X </u>	<u>Detailed T&E Exercise April 2012</u>
3	If the state was required to develop a plan demonstrating timely and expeditious use of funds, is progress being made on meeting this plan?	<u> </u>	<u> </u>	<u> X </u>		<u> </u>	<u> </u>
2.5 Compliance with Audit Requirements							
1	Are annual audits being conducted by an independent	<u> X </u>	<u> </u>	<u> </u>		<u> X </u>	<u>SFY 2011 audit report dated 1/30/12</u>
a.	Who conducted the most recent audit?	<u> </u>	<u> </u>	<u> </u>	Washington State Auditor's Office	<u> X </u>	<u>SFY 2011 audit report dated 1/30/12</u>
b.	Did the program receive an unqualified opinion?	<u> </u>	<u> X </u>	<u> </u>		<u> X </u>	<u>SFY 2011 audit report dated 1/30/12</u>

	c. Were there any significant findings? (Briefly discuss the findings.)	<input checked="" type="checkbox"/>		The audit provided a positive report (i.e. an "unqualified opinion") regarding Ecology's CWSRF financial statements, and the audit report didn't identify any material weaknesses in internal controls, nor any issues of non-compliance with regulations	<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
	d. Is the program in compliance with GAAP?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
2	Does the annual audit confirm compliance with State laws and procedures?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
	a. Did the audit include any negative comments on the state's internal control structure?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
	b. Did the audit identify any erroneous payments/cash draws/disbursements?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
	c. Has the State taken action to recover the improperly paid funds?		<input checked="" type="checkbox"/>			
3	Has the program implemented prior audit recommendations and/or recommendations in the "management" letter?	<input checked="" type="checkbox"/>		Yes, the program has implemented procedures to address the finding in the 2010 audit related to ensuring compliance with suspension and debarment reporting.	<input checked="" type="checkbox"/>	SFY 2010 audit report 5/23/2011
4	Are the states cash management and investment practices consistent with State law, policies, and any applicable bond requirements?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
	a. Is the SRF earning a reasonable rate of return on invested funds?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	SFY 2011 audit report 1/30/12
5	Are State accounting procedures adequate for managing the SRF?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	Staff interviews/ accounting record review
	a. Do the State's accounting procedures include internal control procedures for state-purchased equipment?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	IUP/Annual Report
6	Are loan recipients providing single audits?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	Fiscal Staff Interviews
	a. Is the State reviewing the loan recipient audits and resolving issues?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	Staff discussions
	b. Does the State ensure that assistance recipients are adhering to GAAP accounting requirements?	<input checked="" type="checkbox"/>		WA also accepts cash based accounting standards as defined by WA State regulations for certain local entities.	<input checked="" type="checkbox"/>	Staff discussions
2.6 Assistance Terms						
1	Are the terms of assistance consistent with program requirements?	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	IUP / Loan Agreements

a. Are interest rates charged between 0% and market rates? (except as allowed for principal forgiveness)		X				X	IUP / Loan Agreements
b. Do principal repayments start within one year of project completion and end within 20 years, for all non-extended term projects with non-extended loan repayment terms?		X				X	IUP / Loan Agreements
c. Does the program use extended terms or principal forgiveness to the extent it is allowable? (If so report the percentage of project funding in these categories.)		X			Ecology awarded \$10,032,835 in forgivable principal for GPR and hardship, which was approximately 28.3% of the FY2010 capitalization grant	X	Annual Report, p. 9
2 Does the State periodically evaluate the terms of assistance offered relative to the supply and demand for funds and the long-term financial health of the fund?		X					IUP , Annual Report
2.7 Use of Fees							
1 Does the program assess fees on their borrowers?		X			WA did not charge fees in SFY2011 nor in any years prior to SFY2011	X	IUP / Loan Agreements
a. What is the fee rate charged and on what basis (e.g., percentage of closing amount, principal outstanding, principal repaid, etc.)?				X	WA did not charge fees in SFY2011 nor in any years prior to SFY2011	X	IUP / Loan Agreements
b. Are fees being used in accordance with program requirements?				X	WA did not charge fees in SFY2011 nor in any years prior to SFY2011	X	IUP / Loan Agreements
2 Does the State periodically evaluate the use of fees relative to loan terms to set appropriate total charges to borrowers and assess long-term funding needs to operate the program?		X			While WA does not charge fees as of the time of this review, they had a proposal for the state legislature this year. The bill did not come to a vote, but Ecology expects it to be considered by the legislature next year.	X	Staff interviews
3 Does the State have procedures for accounting and reporting on its use of fees?				X	WA did not charge fees in SFY2011 nor in any years prior to SFY2011	X	IUP / Loan Agreements
2.8 Assessment of Financial Capability and Loan Security							
1 Does the state have procedures for assessing the financial capability of assistance recipients? (CW only)		X			The program does not have written procedures at this point, but does follow procedures that we have established over the past few years. The program collects information on the recipients through a checklist and use that information to conduct financial capability assessments. A copy of the checklist was provided to the EPA financial analyst for reference during this review.	X X X	Financial Capability Review Checklist Loan applications Project Files

2	Are the financial capability policies and procedures being followed? (CW only)	X		Yes, the financial capability policies and procedures are being followed. For example The City of Albion was awarded a CWSRF loan for SFY11 to fund improvements to its wastewater treatment system. As a result of their financial capability assessment, Ecology required the City to conduct a rate study that included the debt service needed to repay the Ecology loan, adopt a fee ordinance based on the new rate study, and to hire an accounting firm to assist the City in reconciling and correcting errors in its wastewater fund and train city staff in using its accounting software to keep its wastewater fund accurate and up to date.	X	Financial Capability Review Procedures
					X	Loan approval documentation
					X	Project Files
3	Does the state have procedures for assessing the technical, financial, and managerial capability of assistance recipients? (DW only)		X			
4	Are the technical, financial, and managerial review procedures being followed? (DW only)		X			
5	Do assistance recipients have a dedicated source of revenue for repayment or, for privately-owned systems, adequate security to assure repayment?	X			X	Financial Capability Review Procedures
					X	Loan approval documentation
					X	Project Files
6	Do assistance recipients have access to additional funding sources, if necessary, to ensure project completion?		X	Did not address this question during the FY2011 on site review.		
2.9 Financial Management						
1	Is the SRF program's financial management designed to achieve both short- and long -term financial goals?	X			X	Annual / Biennial Report
						Staff interviews
	a. Do the Financial Indicators show progress in the program in funding the maximum amount of assistance to achieve environmental and public health objectives?	X			X	NIMS
2	Does the State have a long-term financial plan to direct the program?	X			X	Annual Report / Staff Interviews
	a. Was financial modeling used to develop the plan?	X			X	Staff Interviews
	b. Is the plan periodically reviewed and updated?	X			X	Staff Interviews
	c. Does planning address types of assistance and terms, use of leveraging, and transfers or cross-collateralization between programs?	X			X	Staff interviews of previous year
3	Are funds disbursed to assistance recipients in a timely manner?	X		Financial Indicator #3 from NIMS data shows a disbursement to signed loans rate of 84%.	X	NIMS

FILE REVIEW CHECKLIST

Project: Camas (City of)				Reviewer: David Garcia
				Review Date: 4/9/2012
Required Programmatic Elements- Camas (City of) - L1100005				
Review Item and Question to Answer	Yes	No	N/A	Comments
1.1 Funding Eligibility				
1 File contains a signed application from the recipient	X			Application FP11117 signed by Cama City Administrator, 11/24/2009
2 The assistance recipient is eligible for CWSRF/DWSRF assistance	X			The City of Cama, Washington is a public body eligible for CWSRF
3 As described in the file, the project is eligible for CWSRF/DWSRF financing	X			WWTF upgrades at City of Camas to help meet NPDES. The project will also install new anaerobic digesters and produce biosolids in a process fueled by the methane from the new digesters. (application signed 11/29/2009)
4 File documents the anticipated environmental and public health benefits of the project	X			Purpose of the Camas WWTF Phase II project is to bring the facility into compliance with NPDES requirements, of which Camas is currently in violation.
5 All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)	X			Ecology approved the Camas <i>Contract Provisions for Wastewater Treatment Facilities Improvements - Phase 2, City o Camas Project No. WS-636 (4 Volumes) October 2009 (prepared by Gray & Osborne, Inc.)</i> , Letter signed by Garin Schieve, PE, Southwest Regional Manger, 11/30/2009
6 The technical documents were reviewed and approved by the state in accordance with their established procedures	X			Ecology approved the Camas 2007 General Sewer/Watewater Facility Plan, May 2007 (as amended November 2009), Letter signed by Garin Schieve, PE, Southwest Regional Manger, 11/30/2009 (separate letter from previous)
7 ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)			X	not an ARRA Project
8 ARRA: All funds are under contract or construction by February 17, 2010			X	not an ARRA Project
9 ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009			X	not an ARRA Project
10 ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project			X	not an ARRA Project
1.2 CBR/PBR				
1 Information in the file supports the project data entered in CBR/PBR	X			CBR reviewed on April 5, 2012
1.3 Socio-Economic and Other				
1 File includes a completed EPA Form 4700-4	X			Completed 4700-4 signed 4/24/12
2 Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities	X			Certifications for EEO & nonsegregatged facilities; signed 12/17/2009
a. Project was evaluated for Environmental Justice			X	retrofit of existing facilities
1.4 State Environmental Review				
1 The project is subject to the State Environmental Review Process (SERP) <i>[N/A for nonpoint source projects]</i>	X			All Clean Water Act Section 212 project that receive SRF funding are required to undergo environmental review
2 File includes an information document from the assistance recipient that includes the following:				
a. Discussion of required mitigation measures			X	Not discussed
b. Analysis of other sites considered, as appropriate			X	retrofit of existing facilities
c. Analysis of other projects considered, as appropriate			X	retrofit of existing facilities
3 File contains a state Environmental Assessment document <i>[N/A for projects receiving a categorical exclusion]</i>	X			4/29/2010 SEPA Environmental Review Checklist in accordance with WA 197-11-960

FILE REVIEW CHECKLIST

Required Programmatic Elements- Camas (City of) - L1100005

	Review Item and Question to Answer	Yes	No	N/A	Comments
4	File contains the state's decision memo documenting one of the following:				
	a. Decision to classify the project as a Categorical Exclusion (CE)			X	
	b. Decision to grant a Finding of No Significant Impact (FNSI)	X			Camas, as lead agency under Chapter 197-11 (WAC), issued Determination of Non-Significance, Case No.: SEPA 09-20, signed by Phil Bourguin, Community Deveopment Director and SEPA Official, 05/11/2010
	c. Decision to require an Environmental Impact Statement (EIS)			X	
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP	X			Affidavit of publication and "tear sheet" of the actual public notice confirm publication on 10/6/2009 with comments due by 10/20/2009.
	a. The comment period was in accordance with state procedures	X			Comment period was 14 days, which is in accordance with state rules
	b. The state addressed all comments appropriately			X	
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	X			MA/NLAA issued by EPA, signed by Hanh Shaw 6/10/2009; NMFS concurrence 2/22/2011
	a. File contains documentation of compliance with Essential Fish Habitat, including state equivalents	X			MA/NLAA issued by EPA, signed by Hanh Shaw 6/10/2009; NMFS concurrence 2/22/2011
7	File contains documentation of concurrence from the State Historic Preservation Office				Washington DAHP concurred with Ecology's determination of No Historic Properties Affected, DAHP Log No: 052507-18-ECY, signed by Robert G. Whitlam, 12/29/2009. Robert also sent a similar concurrence letter for this project to the Public Works Board (CETD May 25, 2007).
8	File contains documentation of compliance with Wild and Scenic Rivers Act	X			Project is not on a designated wild and scenic river segment according to 4/29/2010 SEPA Environmental Review Checklist
9	File contains documentation of compliance with the Coastal Zone Management Act	X			Project is not in the costal zone as defined by Ecology coastal zone management program.
10	File contains documentation of compliance with the Coastal Barriers Resources Act [Louisiana and Texas only]			X	
11	File contains documentation of compliance with the Farmland Protection Act	X			Upgrade to existing facility; no farmland impacted according to 4/29/2010 SEPA Environmental Review Checklist
12	File includes documentation assessing the possible location of wetlands in the project area	X			Wetlands exsit in the City, but are not being impacted by this project, according to the 4/29/2010 SEPA Environmental Review Checklist
13	File includes documentation assessing the possible location of floodplains in the project area	X			Flood Insurance Rate Map (FIRM) Panel Number 530024-0425B portions of the North UGA in the vicinity of Lacamas Lake a Lacamas Creek are within the 100-yr flood plain, completed SEPA Environmental Review Checklist. While Camas is properly assessed, the project file did not contain documenation that it issued a public notice that explained why the project is partially located in the floodplain and whether or not there are any mitigation measures being taken.
14	File includes documentation showing compliance with the Clean Air Act	X			No air emission associated with this project according to the 4/29/2010 SEPA Environmental Review Checklist
15	File includes evidence of consultation with the state groundwater program office or EPA Regional Office of Groundwater to identify any EPA-designated sole source aquifers in the vicinity of the project.	X			EPA Sole source aquifer map shows that the City of Camas in located within the Troutdale aquifer review area.

FILE REVIEW CHECKLIST

Required Technical Elements - Camas (City of) L1100005				
Review Item and Question to Answer	Yes	No	N/A	Comments
2.1 Green Project Reserve (GPR)				
1 The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve	X			As described, this project uses new anaerobic digesters and produce biosolids in a drying process fueled by the methane from the new digesters making it categorically GPR eligible under 3.2-1 of EPA's GPR guidance issued 4/21/2010.
2 File includes a business case (for non-categorical green projects)			X	Categorically GPR eligible
2.2 Bid and Procurement				
1 Project file contains RFP/bid documentation	X			
a. Project file includes evidence that the state has reviewed and approved the bid documents	X			Ecology's project file contains Gray & Osborne, Inc. review of bids and recommendation to select the lowest bidder.
2 Project file includes tabulation of bids	X			Eight bids plus engineer's estimate; Bid tabulation 12/18/2009
3 Selected bid is included in the file	X			McClure & Sons @ \$11,951,180.15
a. If other than the lowest bid was selected, an explanation is provided			X	Lowest, responsible, responsive bid selected
4 The bid documents include Disadvantaged Business Enterprise (DBE) requirements	X			Change order #2, signed 2/11/11, adds DBE to contract
a. The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4	X			Change order #2, signed 2/11/11, adds 6100 forms and D-Forms used for contractors to report DBE to Ecology with each disbursement.
b. Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]	X			Assistance receipt has submitted DBE reports at least semi-annually and also whenever a disbursement request is submitted.
5 The bid was advertised for the correct length of time as established by state rules	X			Affidavit of Publication for ad running 11/11/2009 with bids to be opened 12/10/2009 (30 days)
6 The bid documents include Equal Employment Opportunity and Anti-Discrimination provisions	X			EEO statement (bid insert Appendix B) and nonsegregated facilities (bid insert Appendix C); signed 12/17/2009
7 Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government	X			EPLS search for prime, McClure and Sons, subcontractors: concrete cutting Inc., Fine Painting, unlimited fence, the City of Camas, document compliance as of 12/10/2011. ECY does search for community and loan agreement requires community to run the search for prime and subs, which ECY reviews and maintains in its files. Another EPLS search for City of Camas shows them in compliance as of 12/21/2010.
8 ARRA: Bid documents include Buy American terms and conditions			X	Not an ARRA project
9 Bid documents include Davis-Bacon requirements	X			Change order #2, signed 2/11/11, adds Davis-Bacon to the construction contract.
a. Bid documents include Federal wage determinations for the project	X			Change order #2, signed 2/11/11, also adds federal wage determination Heavy Category: WA080106 Mod 1 10/2/2009 & Building Category: WA080047 Mod 3 11/06/2009 to the construction contract.
b. For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	Camas is a public body and non-profit organizational status does not apply

FILE REVIEW CHECKLIST

Required Technical Elements - Camas (City of) L1100005				
Review Item and Question to Answer	Yes	No	N/A	Comments
2.3 Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1 Construction contracts include Buy American terms and conditions			X	Not an ARRA project
2 Construction contracts require the contractor to comply with Davis-Bacon requirements	X			Change order #2, signed 2/11/11, also adds Davis-Bacon to the construction contract.
a. Contracts include a reference to the Federal wage determination(s) applicable to the contract	X			Change order #2, signed 2/11/11, also adds federal wage determination Heavy Category: WA080106 Mod 1 10/2/2009 & Building Category: WA080047 Mod 3 11/06/2009 to the construction contract.
b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions	X			Change order #2, signed 2/11/11
2.4 ARRA Reporting				
1 Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll	X			Progress reports from City certify weekly payroll. Reports for FY2012, Q2 on 1/10/2012, FY2012, Q1 on 10/31/2011, (FY2010, Q3 through FY2011 Q3) on 4/25/2011, FY2011, Q4 on 7/21/2011.
2 Project file includes quarterly reports on job creation and retention			X	Not an ARRA project
3 For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file			X	Not an ARRA project
4 For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	Not an ARRA project
5 File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver			X	Not an ARRA project
2.5 Inspection Reports				
1 Project file includes copies of inspection reports prepared by the state or its representative	X			Inspection report from July 5, 2011 visit conducted by David J. Knight, P.E., Environmental Engineer, Southwest Regional Office.
2 Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)	X			
3 ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American			X	Not an ARRA project
a. All issues or concerns were appropriately resolved			X	Not an ARRA project
4 ARRA: Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve		X		No GPR issues or concerns noted
a. All issues or concerns were appropriately resolved			X	No GPR issues or concerns noted
5 ARRA: Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements		X		No Davis-Bacon issues or concerns were noted
a. All issues or concerns were appropriately resolved			X	No Davis-Bacon issues or concerns were noted
6 ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained			X	Not an ARRA project
a. All issues or concerns were appropriately resolved			X	Not an ARRA project
7 ARRA: project file includes evidence that the ARRA logo was posted at the project site			X	Not an ARRA project

FILE REVIEW CHECKLIST

Required Financial Elements - Camas (City of) L1100005				
Review Item and Question to Answer	Yes	No	N/A	Comments
3.1 Financial Review				
1 CWSRF: File includes documentation that the state conducted a financial capability review	X			Financial capability indicates City of Camas had a three years operating ratios that are considered high, therefore placement of this loan on the increased oversight category, review prepared by Joseph Coppo, ECY, August 17, 2010.
2 DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3 Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Loan Agreement (L1100005), Part VII, p.12 & Attachment 4, p. 1
a. The assistance recipient is submitting Single Audit Reports [if required]	X			
b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	no issues were noted.
4 ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed			X	Not an ARRA project
3.2 Loan or Bond Purchase Agreement				
1 The loan or bond purchase document:				Loan Agreement L1100005 signed by Camas City Administrator 1/3/2011 and by Ecology 1/10/2011; \$3,543,300 with \$1,771,650 (or 50%) provided as principal forgiveness.. Amendment #2, signed 5/17/11 by the City & 5/25/11 by ecology, increases loan by \$3.3 million with the PF remainin the same as in the original agreement. Total new amount to be repaid became \$5,071,650.
a. Is signed by the state and assistance recipient	X			
b. Includes a budget and/or description of eligible costs	X			Part III, p.7 has budget that calls for \$12 million in construction, \$1 million in construction management, and 100K in project administration, with \$3,543,300 listed as CWSRF eligible. Amendment #2 increase eligible costs to \$6,843,000
c. Includes the interest rate	X			2.80%
d. Includes the fee rate [if applicable]			X	Ecology does not currently charge fees on its CWSRF loans.
e. Includes the repayment period	X			20 years
f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Requires borrower to account for project in accordance with 43.09.200 RCW "Local Government Accounting-Uniform System of Accounting; Loan Agreement; attachment 4, page 1.
g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Loan agreement L1100005; Attachment 4; P. 2, prohibit the use of suspended and debarred entities.
h. Includes an amortization schedule or refers to the date when repayment must begin	X			Repayment Schedule #1577 lists 39 biannual payments over 20 years; Loan agreement L1100005; Attachment 8; Pp..1-3. replaced by the repayment scheudle #1613 to relect the increased loan amount from amendment #2. In accordance with WAC 173-98-430, The first repayment of principal and interest will be due one year after the initiation of operation date, or one year after the project completion date, whichever occurs first. Laon agreement lists expected initiation of operation as 6/30/2012 and expected completion date as 12/31/2012
2 The repayment period is in accordance with the state's policies and procedures (up to 20 years or extended term)	X			In accordance with WAC 173-98-400 loan offered at 60% of the market rate, as this one was, are allowed up to 20 years to repay the loan.
3 ARRA: The loan or bond purchase document:				
a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010			X	not and ARRA project
b. Includes the Buy American requirements			X	not and ARRA project
c. Includes the Davis-Bacon requirements		X		Loan agreement L1100005; Attachment 4; P. 11, requires the borrower to follow the Prevailing Wages on Public Works law (3 Chapter 9.12 RCW), but not Davis-Bacon. However, Camas did amend Davis-Bacon into the construction contract. See Camas Technical tab section 2.3.2.
d. Includes the requirement to report jobs created and/or retained			X	Not an ARRA project

FILE REVIEW CHECKLIST

Project: Kennewick (City of)		Reviewer: David Garcia		
		Review Date: 4/11/2012		
Required Programmatic Elements- Kennewick (City of) - L1100010				
Review Item and Question to Answer	Yes	No	N/A	Comments
1.1 Funding Eligibility				
1 File contains a signed application from the recipient	X			Application FP11128 for the City of Kennewick, signed by Ken W. Nelson, Associate Public Works Director, 11/25/2009
2 The assistance recipient is eligible for CWSRF/DWSRF assistance	X			City of Kennewick as a public entity is eligible for CWSRF funding
3 As described in the file, the project is eligible for CWSRF/DWSRF financing	X			Project proposes to retrofit all existing catch basins within 1-year travel zone of the city's Wellhead protection area (aquifer recharge zone). The retrofit will also provide sediment removal and oil/water separation, minimizing pollutant transport to the aquifer. The project will also purchase a high efficiency street sweeper for source control; removing many pollutants prior to entering the sytem, Application FP11128, 11/25/2009
4 File documents the anticipated environmental and public health benefits of the project	X			Protection and recharge of aquifer/domestic water supply, funding application FP11128, 11/25/2009
5 All technical documents required by the state for the type of project have been submitted (pre-engineering reports, plans & specs, etc.)		X		Kennewick completed their plans & specifications and Ecology is in the process of reviewing for approval, according to discussion with Ecology's financial manager for this project.
6 The technical documents were reviewed and approved by the state in accordance with their established procedures		X		Kennewick completed their plans & specifications and Ecology is in the process of reviewing for approval, according to discussion with Ecology's financial manager for this project.
7 ARRA: The project and recipient are eligible for ARRA funding (e.g. no zoos, casinos, golf courses, land purchases, etc.)			X	Not an ARRA project
8 ARRA: All funds are under contract or construction by February 17, 2010			X	Not an ARRA project
9 ARRA: For refinance projects, the initial debt was incurred between October 1, 2008 and February 17, 2009			X	Not an ARRA project
10 ARRA: No construction contracts signed or construction work begun prior to Oct. 1, 2008 on any ARRA-funded portion of the project			X	Not an ARRA project
1.2 CBR/PBR				
1 Information in the file supports the project data entered in CBR/PBR	X			CBR reviewed April 5, 2012
1.3 Socio-Economic and Other				
1 File includes a completed EPA Form 4700-4	X			Completed Kennewick 4700-4 signed May 2, 2012
2 Project file includes a certification from the assistance recipient confirming compliance with EEO and Non-Segregated activities		X		Documentation of this requirement was not in the project file and had not yet been received by the project, according to 4/24/12 email from Ecology's fiscal manager for this project.
a. Project was evaluated for Environmental Justice			X	retrofit of existing facilities
1.4 State Environmental Review				
1 The project is subject to the State Environmental Review Process (SERP) [N/A for nonpoint source projects]	X			Kennewick has not yet completed it's enviornmental reivew requirement, but will be required to do so before construction work begins, According to Ecology staff.
2 File includes an information document from the assistance recipient that includes the following:				
a. Discussion of required mitigation measures			X	See comment 1.4.1 above
b. Analysis of other sites considered, as appropriate			X	See comment 1.4.1 above
c. Analysis of other projects considered, as appropriate			X	See comment 1.4.1 above
3 File contains a state Environmental Assessment document [N/A for projects receiving a categorical exclusion]			X	See comment 1.4.1 above
4 File contains the state's decision memo documenting one of the following:				
a. Decision to classify the project as a Categorical Exclusion (CE)			X	See comment 1.4.1 above

FILE REVIEW CHECKLIST

Required Programmatic Elements- Kennewick (City of) - L1100010

Review Item and Question to Answer		Yes	No	N/A	Comments
	b. Decision to grant a Finding of No Significant Impact (FNSI)	_____	_____	X	See comment 1.4.1 above
	c. Decision to require an Environmental Impact Statement (EIS)	_____	_____	X	See comment 1.4.1 above
5	File includes evidence of public notification of CE/FNSI/EIS in accordance with the SERP	_____	_____	X	See comment 1.4.1 above
	a. The comment period was in accordance with state procedures	_____	_____	X	See comment 1.4.1 above
	b. The state addressed all comments appropriately	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
6	File contains documentation of compliance with the Endangered Species Act, including state equivalents	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
	a. File contains documentation of compliance with Essential Fish Habitat, including state equivalents	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
7	File contains documentation of concurrence from the State Historic Preservation Office	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
8	File contains documentation of compliance with Wild and Scenic Rivers Act	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
9	File contains documentation of compliance with the Coastal Zone Management Act	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
10	File contains documentation of compliance with the Coastal Barriers Resources Act [Louisiana and Texas only]	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
11	File contains documentation of compliance with the Farmland Protection Act	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
12	File includes documentation assessing the possible location of wetlands in the project area	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
13	File includes documentation assessing the possible location of floodplains in the project area	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects
14	File includes documentation showing compliance with the Clean Air Act	_____	_____	X	Ecology does not generally apply corss cutters to stormwater projects because it meets cross cutter requirements for funds made directly available from the grant through other types of facility projects

FILE REVIEW CHECKLIST

Required Technical Elements - Kennewick L11000110

Review Item and Question to Answer		Yes	No	N/A	Comments
2.1	Green Project Reserve (GPR)				
1	The project description provides sufficient detail to classify the project as eligible for inclusion in the Green Project Reserve			X	Not a GPR project
2	File includes a business case (for non-categorical green projects)			X	Not a GPR project
2.2	Bid and Procurement				
1	Project file contains RFP/bid documentation			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
a.	Project file includes evidence that the state has reviewed and approved the bid documents			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
2	Project file includes tabulation of bids			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
3	Selected bid is included in the file			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
a.	If other than the lowest bid was selected, an explanation is provided			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
4	The bid documents include Disadvantaged Business Enterprise (DBE) requirements			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
a.	The bid documents provide DBE forms 6100-2, 6100-3 and 6100-4			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
b.	Assistance recipient has submitted semi-annual DBE reports on subcontracting procurements to the state [DBE form 5700-52A or equivalent] [note: these forms may be located elsewhere]			X	Kennewick had not gone out to bid as of the time of this review, according to 4/24/12 email from Ecology's fiscal manager for this project.
5	The bid was advertised for the correct length of time as established by state rules			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
6	The bid documents include Equal Employment Opportunity and Anti-Discrimination provisions			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
7	Bid documents or construction contracts prohibit the use of contractors or subcontractors who have been suspended or debarred by the Federal government			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
8	ARRA: Bid documents include Buy American terms and conditions			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
9	Bid documents include Davis-Bacon requirements			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
a.	Bid documents include Federal wage determinations for the project			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
b.	For assistance recipients that are non-profit organizations: The state obtained and reviewed wage determinations prior to bid advertisements to ensure compliance with Davis-Bacon requirements			X	Kennewick is not a non-profit organization
2.3	Construction Contracts [Note: states are not required to obtain copies of construction contracts]				
1	ARRA: Construction contracts include Buy American terms and conditions			X	Not an ARRA project
2	Construction contracts require the contractor to comply with Davis-Bacon requirements			X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.

FILE REVIEW CHECKLIST

Required Technical Elements - Kennewick L11000110

Review Item and Question to Answer		Yes	No	N/A	Comments
a. Contracts include a reference to the Federal wage determination(s) applicable to the contract				X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
b. Construction contracts include Davis-Bacon contract provisions from EPA grant terms and conditions				X	Kennewick had not gone out to bid as of 4/24/12, according to an email from Ecology's fiscal manager for this project.
2.4 ARRA Reporting					
1	Project file includes documentation from the assistance recipient indicating compliance with Davis-Bacon for each weekly payroll			X	Kennewick had not gone out to bid as of the time of this review, according to 4/24/12 email from Ecology's fiscal manager for this project.
2	Project file includes quarterly reports on job creation and retention			X	Not an ARRA project
3	For projects covered by a Buy American national waiver, documentation for the waiver is included in the project file			X	Not an ARRA project
4	For projects that received a project-specific Buy American waiver, documentation for the waiver is included in the project file			X	Not an ARRA project
5	File includes documentation from the assistance recipient on utilization of the Buy American de minimis waiver			X	Not an ARRA project
2.5 Inspection Reports					
1	Project file includes copies of inspection reports prepared by the state or its representative			X	Construction has not yet begun. Project delayed according to quarterly reports, completion now scheduled for 12/31/2012.
2	Inspections were performed at intervals in accordance with the state's procedures (e.g., monthly during construction, quarterly, etc.)			X	project delayed. Construction has not yet begun.
3	ARRA: Inspection reports noted issues or concerns regarding compliance with Buy American			X	Not an ARRA Project
	a. All issues or concerns were appropriately resolved			X	Not an ARRA Project
4	Inspection reports noted issues or concerns regarding eligibility for the Green Project Reserve			X	Not a GPR Project
	a. All issues or concerns were appropriately resolved			X	Not a GPR Project
5	Inspection reports noted issues or concerns regarding compliance with Davis-Bacon requirements			X	Project delayed according to quarterly progress reports, completion now scheduled for 12/31/2012; Project not bid as of the time of this review
	a. All issues or concerns were appropriately resolved			X	See previous comment
6	ARRA: Inspection reports noted issues or concerns regarding information previously reported on jobs created and retained			X	Not an ARRA Project
	a. All issues or concerns were appropriately resolved			X	Not an ARRA Project
7	ARRA: project file includes evidence that the ARRA logo was posted at the project site			X	Not an ARRA Project

FILE REVIEW CHECKLIST

Required Financial Elements - Kennewick L11000110

Review Item and Question to Answer		Yes	No	N/A	Comments
3.1 Financial Review					
1	CWSRF: File includes documentation that the state conducted a financial capability review	X			11/09/2011 assessment prepared by Joseph Coppo; three year's of financial statements (2008, 2009, 2010) audited by WA state auditor on June 27, 2008, June 22, 2009, and June 28, 2010
2	DWSRF: State conducted a technical, managerial and financial capability review of the recipient			X	
3	Loan agreement includes requirement for the assistance recipient to submit Single Audit Reports, if required	X			Loan Agreement (L1100010), Part VII, p.11 & Attachment 4, p. 1
	a. The assistance recipient is submitting Single Audit Reports [if required]	X			
	b. The state ensured that the assistance recipient resolved any issues identified in the Single Audit Report			X	No issues were noted.
4	ARRA: For projects receiving only partial ARRA funding, the state ensured that the recipient obtained funding to allow for the project to be completed			X	Not an ARRA project
3.2 Loan or Bond Purchase Agreement					
1	The loan or bond purchase document:				
	a. Is signed by the state and assistance recipient	X			Loan Agreement L100010: for \$690,000, signed by Kelly Susewind (Ecology) 3/8/2011 and Steven Young (Mayor, Kennewick) 2/22/2011
	b. Includes a budget and/or description of eligible costs	X			Loan Agreement L1000010, Part III, Budget: all costs listed as eligible: \$15K Project Administration, \$30K construction management; \$345,000 for catch basin retrofits, and \$300K to purchase a street sweeper.
	c. Includes the interest rate	X			1.4%
	d. Includes the fee rate [if applicable]			X	Washington does not charge loan fees at this time.
	e. Includes the repayment period	X			5 years, after requested by the City; was 20 years before.
	f. Requires the assistance recipient to maintain accounting practices in accordance with GAAP	X			Loan Agreement (L1000010), dated 3/8/2011, Attachment 4, p.1
	g. Prohibits funds from going to contractors or subcontractors who have been suspended or debarred	X			Loan Agreement (L1000010), dated 3/8/2011 Attachment 4, p.2
	h. Includes an amortization schedule or refers to the date when repayment must begin	X			Loan Agreement (L1000010), dated 1/21/2010, Attachment 4, p.7. repayments will be paid no later than the earlier of (i) one year after the project completion date or Initiation of Operation Date (ii) or five years from the first payment by Ecology
2	The repayment period is in accordance with the state's policies and procedures (up to 20 years or extended term)	X			Loan Agreement (L1000010), dated 1/21/2010, Attachment 8, repayment Schedule #1583, 9 biannual installments staring 12/31/2012 to repay \$690,000. Loan Agreement L1000010 Amendment #1 reflects delay in project by changing the Initiation of Operation Date to 12/31/2012, which moves the repayment start date to 12/31/2013, repayment scheudle 1749. Note: as of the time of this review Amendment #1 is signed by the City, 3/27/2012, but not yet by Ecology.
3	ARRA: The loan or bond purchase document:				
	a. Includes a provision allowing the state to terminate the agreement if the project fails to proceed in a timeframe consistent with ARRA requirements for all funds to be under contract or construction by February 17, 2010			X	not an ARRA project
	b. Includes the Buy American requirements			X	not an ARRA project
	c. Includes the Davis-Bacon requirements	X			Loan Agreement L1000010 dated 3/8/2011, Attachment 4, p.11. Prevailing Wage section includes Davis-Bacon requirement with a link to the USDOL Wage and Hour Division http://www.dol.gov/esa/whd/contractxtdbra.htm and a link to Wage Determinations http://www.wdol.gov .
	d. Includes the requirement to report jobs created and/or retained			X	not an ARRA project